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5 November 1952

MEMORANDUM FOR: Colonel White

1. Discussed this with Larry Houston. He advises that within statutory limitations this Agency already has at its disposal machinery to handle such problems. The facts are essentially as follows:

a. The penalty for late filing of income tax is administratively determined, and when this Agency has been derelict in its administrative functions, direct liaison with the Baltimore Collector's Office is exploited and at a senior, secure level the penalty can be and is waived. The interest involved either with late filing or insufficient payment is imposed by statute and nothing can be done about it with the Bureau of Internal Revenue

b. There is a policy already established by precedent for the Agency to pay the expense of the penalty and interest or where appropriate only the interest when the late filing has resulted not from the personal acts of the taxpayer but from security or other operational considerations which were in the best interest of the Agency and its activities.

2. Larry informed me that Mr. Wolf had only recently approved reimbursement on two or three such cases. In the present case, the late delivery of the W-2 Form was no excuse for a late filing of a return. The law and practice provide for the filing of return and payment of tax in an estimated amount either under protest, which leaves the way open for refund to the individual should it be an overpayment, in which case the refunded money draws interest from the Government, or a normal return without the W-2 with the condition that the payment is subject to revision upon receipt of the W-2. I do not believe that under these circumstances the present case could properly be called a test case for the principles we are discussing.

3. Larry offered to discuss this further with you if you desire. Under the circumstances, after you have talked with Larry if you do so, you may wish the memorandum to [redacted] to be rewritten to include a brief statement on the procedure which Larry has described as above.

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